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Annual Report

FOR THE FISCAL YEAR
ENDED NOVEMBER 30 **1952**

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THE EAGLE-PITCHER COMPANY

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Annual Report

THE EAGLE-PICHER COMPANY

for the fiscal year ended

November 30, 1952

THE EAGLE-PICHER COMPANY

EXECUTIVE OFFICES, CINCINNATI, OHIO

BOARD OF DIRECTORS

JOEL M BOWLBY	STANLEY R MILLER
WILLIAM R DICE	WILLIAM H MITCHELL
CARL A GEIST	JOHN J ROWE
CARL F HERTENSTEIN	T SPENCER SHORE
ELMER ISERN	GEORGE A SPIVA
MILES M ZOLLER	

OFFICERS

JOEL M BOWLBY	Chairman
T SPENCER SHORE	President
WILLIAM R DICE	Vice President and Comptroller
CARL A GEIST	Vice President, Secretary Treasurer
ELMER ISERN	Vice President
MILES M ZOLLER	Vice President
CARL F HERTENSTEIN	Assistant Treasurer
RICHARD SERVISS	Assistant Secretary
K E KIMMEL	Assistant Secretary

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF NEW YORK NEW YORK N Y
WESTERN BANK & TRUST COMPANY CINCINNATI OHIO

REGISTRARS

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK NEW YORK N Y
THE FIFTH THIRD UNION TRUST COMPANY CINCINNATI OHIO

THE EAGLE-PICHER COMPANY

TO OUR SHAREHOLDERS

Net profit of The Eagle Picher Company for the fiscal year ended November 30 1952 amounted to \$4 035 643 equivalent to \$4 08 per share compared with \$3 703 807 or \$3 74 per share for the preceding year

Net sales for the 1952 fiscal year were \$81 893 067 in comparison with \$82 086 318 for 1951

As at November 30 1952 net current assets were \$25 176 975 an increase of \$6,551 220 over the corresponding figure of \$18 625 755 at November 30 1951 Net worth at November 30 1952 was \$28 898 443 or \$29 21 per share an all time high and compared with \$26 398 195 or \$26 68 per share at the end of the previous fiscal year

All per share figures quoted herein for both the 1952 and 1951 fiscal years are computed on the basis of 989 177 shares outstanding at November 30 1952

New Activities

Before reviewing the results for 1952 it is pertinent to consider certain important steps taken since the close of the preceding fiscal year which have resulted in a substantial rearrangement of the Company's activities

For a number of years The Eagle Picher Company has been strengthening its cash position with the ultimate goal of expanding and diversifying its business and assuring and increasing its earning power At the same time a careful study and analysis of existing operations revealed that certain segments of the business were failing to earn an adequate return on invested capital or did not have future prospects indicating such return and hence were logical sources of funds for new undertakings Our management investi-

gated many possible fields for expansion and subjected them to rigid tests including return on investment growth possibilities and in the case of companies already established the quality of management During the past year we have entered into two major new activities which appear to fulfill these specifications

In July 1952 the Company offered to purchase all of the common stock of The Ohio Rubber Company for approximately \$8 000 000 At November 30 1952 99% of this stock had been acquired and since then all of the remaining stock has been purchased The Ohio Rubber Company common stock is now owned 100% by your Company

The Ohio Rubber Company is a leading manufacturer of molded and extruded rubber products which are sold principally to the automotive farm equipment and toy industries In addition the company is making tank tracks for the defense effort Its management is recognized as outstanding and the company appears to have unusual growth possibilities

For its fiscal year ended September 30 1951 The Ohio Rubber Company had net sales of \$32 740 000 and net profit of \$1 824 000 Operations for the fiscal year ended September 30 1952 were adversely affected by a four months strike in its own plants and subsequently by the steel strike which curtailed activities of its principal customers Nevertheless its sales for the year amounted to \$28 692 000 and net profit to \$1 404 000 Sales and earnings of the company currently are running at a rate which would indicate considerably better results for 1953

The accounts and results of operations of The Ohio Rubber Company have been consolidated with those of the parent company since July 1

For the five months ended November 30 1952 The Ohio Rubber Company had sales of \$12 143 364 and net profit of \$650 654

During the year it was determined that the recovery of sulphur from the Company's sulphide zinc ores and the production of sulphuric acid would prove profitable provided an assured outlet could be obtained for the acid. Subsequently a contract was signed covering the sale of 80% of the proposed acid production for a period of five years. The Defense Production Administration then granted The Eagle Picher Company a certificate of necessity approving accelerated depreciation on a substantial part of the cost of the required plant facilities. Construction of the plants involving capital expenditures in excess of \$4 000 000 is now in progress at Galena Kansas with completion scheduled for the early part of 1954.

The purchase of The Ohio Rubber Company and the construction of the acid and complementary plants will not necessitate an increase of our capital stock. It was considered preferable to rearrange the Company's long term debt as is explained later and as an integral part of the program to discontinue operations of the Metallic Products Division and the Paint and Varnish Division. This liquidation is being accomplished at a rapid pace and should be concluded at an early date.

The Metallic Products Division operated secondary lead smelters and plants manufacturing lead pipe roof flanges solders alloys and other products sold principally to the plumbing and construction industries. For years this has been a very competitive industry earning a low rate of return on invested capital.

The Paint and Varnish Division manufactured mixed paints varnishes and enamels. It was a minor factor in an industry composed principally of important customers of the Company.

The Metallic Products Division and the Paint and Varnish Division had net sales aggregating \$17 082 000 and \$11 360 000 for the fiscal years ended November 30 1951 and November 30 1952 respectively. The combined operations of these divisions resulted in a net loss in each of those two years.

It is easier for the management of a company to expand its operations than to liquidate parts of its business. We are confident however that the reasons for dissolution of the two divisions were

compelling and that the more profitable utilization of the money invested in their operations will prove beneficial.

Sales

Net sales of \$81 893 067 for the fiscal year ended November 30 1952 fell just short of those for the preceding year aggregating \$82 086 318 which represented a new high for all time.

Sales during the second half of 1952 were materially higher than those for the first half of the year but neither period furnished a good indication of probable sales volume for the present year. Consolidated sales for 1953 will show a net increase over 1952 arising from inclusion of a full year's operations of The Ohio Rubber Company less the sales of the discontinued divisions discussed above but allowance must be made for variations in physical volume and prices in the two years. At present lead and zinc prices and consequently those for pigments and oxides are substantially below a year ago.

Earnings

Net profit after taxes for the fiscal year ended November 30 1952 was \$4 035 643 equivalent to \$4.08 per share compared with \$3 703 807 or \$3.74 per share for the preceding year.

Net profit before taxes for 1952 declined to \$4 323 643 from \$9 503 807 for 1951. However this was more than offset by lower provision for Federal and State taxes on income. Not only was the Federal normal tax and surtax substantially smaller in 1952 but in addition the Company received an excess profits tax carry back credit of \$820 000. Moreover examination and final review of the Company's income tax returns resulted in an over provision for taxes of \$500 000 for the years 1946 to 1949 inclusive. This amount has been restored to income by its deduction from the 1952 tax provision.

Balance Sheet

Current assets at November 30 1952 amounted to \$32 730 475 including \$10 737 780 of cash and governments and current liabilities were \$7 553 500 a ratio of 4.33 to 1.

Working capital of \$25 176 975 was the largest in the Company's history and represented an increase of \$6 551 220 over that of a year ago.

Total inventories at November 30 1952 were \$13 716 435 compared with \$7 729 498 a year earlier an increase of \$5 986 937 The Ohio Rubber Company accounted for \$4 700,234 of this increase in addition the metal content of zinc inventories at November 30 1952 was higher than at November 30 1951

Investments in and advances to foreign subsidiaries were reduced by \$978 621 the reduction being largely due to the repayment of advances by Mexican subsidiaries

Long term debt at November 30 1952 amounted to \$14 250 000 including \$675 000 due within one year and classified as a current liability as compared with \$7 500 000 a year ago In September 1952 the Company rearranged its long term borrowings from the Metropolitan Life Insurance Company and The Mutual Life Insurance Company of New York It paid its 3% Notes due September 1 1967, then outstanding in the principal amount of \$7 500 000 and substituted therefor \$12 500 000 of 3 3/4% Notes due serially until September 1 1972 thereby increasing working capital by \$5 000 000 The \$1 750 000 of 4 1/2% Mortgage Notes outstanding are obligations of The Ohio Rubber Company

Capital stocks of subsidiary company amounting to \$2 052 573 at November 30 1952, consisted of the preferred stock of The Ohio Rubber Company at the call price plus an insignificant amount in respect of the few shares of common stock of that company not yet purchased at the fiscal year end

Dividends

The regular quarterly dividend of 30 cents per share was maintained during 1952 and an extra of 30 cents per share was paid in December making total disbursements of \$1 50 per share for the calendar year This was the same cash distribution made in 1951 and 1950 in addition to which a 10% stock dividend was paid in December 1951

Outlook

The inauguration of the new administration has given rise to a better feeling on the part of business men It is hoped and believed that government economy will now receive more than lip service and that tax reduction will be a primary objective

after the country's safety has been assured and the budget has been balanced A tendency has already been shown to relax government regulations and controls and labor management relations may be improved as inflationary pressures lessen and both parties meet at the bargaining table on more equal terms The free enterprise system is recognized as the cornerstone of our economy and its contribution to the general welfare and defense of our country is being more widely acknowledged

Economists generally look for a continued high level of business activity during 1953 sustained in an important part by huge Government expenditures for national defense and large capital expenditures by corporations for new plant facilities These two factors will lose their actual and relative force at some point in the future perhaps not too far removed but the outcome need not be a severe recession if Government and business prepare beforehand and avoid excesses in the meantime

During the latter part of 1952 and to date in 1953 lead and zinc markets have been depressed in sympathy with the weakness in the London market which developed in anticipation and after removal of restrictions on private dealings abroad It is difficult to say how long and to what extent this will prove a depressant on our prices but domestic consumption of both metals is generally satisfactory and stocks are not unduly burdened some It seems reasonable to expect firming price tendencies in these metals Furthermore a more plentiful supply of certain raw materials such as aluminum and a high level of demand in various industries for products manufactured by the Company appear as favorable factors in 1953

A year ago we stated our belief that earnings of your Company would be satisfactory for 1952 We are of the same opinion with respect to 1953 Our productive facilities and activities have been expanded and further diversified our financial position is strong and we have a skilled and loyal team of workers

JOEL M BOWLBY
Chairman

T SPENCER SHORE
President

CINCINNATI OHIO
FEBRUARY 13 1953

THE EAGLE PITCHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	1952		1951	
CURRENT ASSETS				
Cash		\$ 8 425 408		\$ 7 931 053
U. S. Government obligations — at cost (Market value \$2 311 524 at November 30 1952)		2 312 372		1 242 633
Accounts and notes receivable	\$ 8 627 157		\$ 7 765 945	
Less Allowance for doubtful receivables	<u>350 897</u>	8 276 260	<u>340 955</u>	7 424 990
Inventories of raw materials work in process finished products and supplies (Note 1)				
Ores metals and metal bearing products	6 140 779		3 939 603	
Other products merchandise for resale and manufacturing materials and supplies	<u>7 575 656</u>	13 716 435	<u>3 789 895</u>	7 729 498
TOTAL CURRENT ASSETS		32 730 475		24 328 173
OTHER ASSETS				
Repair parts and maintenance supplies	1 118 987		1 171 479	
Investment in and advances to associated company and sundry securities — at or below cost	317 327		335 494	
Miscellaneous accounts and advances	<u>273 129</u>	1 709 443	<u>363 623</u>	1 870 596
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED (Note 2)				
Mexican subsidiaries	625 783		1 598 776	
Canadian subsidiaries	<u>692 392</u>	1 318 155	<u>698 000</u>	2 296 776
PROPERTY PLANT AND EQUIPMENT (Note 3)				
Mining lands and leases mills smelters and fabricating plants railroad and other properties	49 615 351		42 265 362	
Less Allowance for depletion depreciation etc	<u>33 172 339</u>	16 493 018	<u>31 162 956</u>	11 102 406
PATENTS GOODWILL etc		1		1
PREPAID AND DEFERRED CHARGES				
Prepaid freight insurance etc	223 744		165 593	
Miscellaneous deferred charges	<u>489 812</u>	713 556	<u>530 080</u>	695 673
		<u>952 964 648</u>		<u>940 293 624</u>

The accompanying notes are

AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30 1952 AND 1951

LIABILITIES		1952	1951
CURRENT LIABILITIES			
Accounts payable		\$ 4 401 931	\$ 2 916 600
Dividends payable		619 321	560 657
Purchase money obligation			408 000
Accrued liabilities			
Wages and salaries	\$ 1 120 503		\$ 574 640
Taxes — other than Federal taxes on income	382 121		313 824
Other	<u>354 624</u>	1 857 248	<u>792 072</u>
			1 660 536
Federal taxes on income	2 028 349		7 129 983
Less U S Government obligations	<u>2 028 349</u>		<u>6 993 359</u>
Long term debt — current portion		675 000	
TOTAL CURRENT LIABILITIES		7 553 500	5 702 417
LONG TERM DEBT (Note 4)			
3 ³ / ₄ % Notes payable serially September 1 1953 to September 1 1972	12 500 000		
4 ¹ / ₂ % Mortgage note of subsidiary company payable \$43 750 quarterly through September 1 1964	1 750 000		
3% Notes payable serially September 1 1953 to September 1 1967			7 500 000
	<u>14 250 000</u>		<u>7 500 000</u>
Less Payments due within one year	<u>675 000</u>	13 575 000	7 500 000
RESERVES FOR SELF INSURANCE			
Workmen s compensation	736 291		551 355
Fire and tornado	<u>148 841</u>	885 132	<u>141 657</u>
			693 012
CAPITAL STOCKS OF SUBSIDIARY COMPANY		2 052 573	
STOCKHOLDERS EQUITY			
Capital stock — par value \$10 00 per share			
Authorized 1 500 000 shares			
Issued and outstanding 989 177 shares	9 891 770		9 000 000
Surplus			
Capital surplus (Note 5)	2 763 648		2 050 232
Earned surplus (Note 4)	<u>16 243 025</u>	<u>28 898 443</u>	<u>15 347 963</u>
		<u>\$22 964 648</u>	<u>\$17 398 195</u>

integral part of this balance sheet

THE EAGLE Picher COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30 1952 AND 1951

	1952	1951
NET SALES	\$81 893 067	\$82 066 318
PRODUCTION AND MANUFACTURING COSTS	<u>68 670 295</u>	<u>65 065 898</u>
GROSS OPERATING PROFIT -- before depletion and depreciation	13 222 772	17 000 420
EXPENSES		
Selling	\$ 2 656 157	\$ 2 252 154
Traffic warehousing and shipping	649 363	782 144
General and administrative	<u>2 983 896</u>	<u>2 617 951</u>
	6 289 416	5 652 249
NET OPERATING INCOME -- before depletion and depreciation	6 933 356	11 368 171
OTHER INCOME	<u>254 332</u>	<u>248 779</u>
	7 187 688	11 616 900
INTEREST EXPENSE		
Long term debt	337 319	225 000
Other	<u>51 404</u>	<u>5 201</u>
	388 723	230 201
DEPLETION DEPRECIATION etc		
Provision for depletion and depreciation	1 623 123	1 497 202
Exploration and prospecting expenses and loss or gain on disposition of capital assets	252 199	385 690
Net provision for loss on future disposal of certain plant properties	<u>600 000</u>	<u>1 882 892</u>
	2 475 322	3 765 784
NET PROFIT -- before Federal and State taxes on income	4 323 643	9 503 807
FEDERAL AND STATE TAXES ON INCOME		
Federal normal tax and surtax and state taxes	1 608 000	4 900 000
Federal excess profits taxes (the 1952 credit resulted from a carry back of unused excess profits tax credit)	(820 000)	900 000
Over provision of taxes on income prior years	<u>(500 000)</u>	<u>5 800 000</u>
	288 000	5 800 000
NET PROFIT FOR YEAR	4 035 643	3 703 807
EARNED SURPLUS -- BEGINNING OF YEAR	<u>15 347 963</u>	<u>14 801 631</u>
	19 383 606	18 505 438
CHARGES TO EARNED SURPLUS		
Cash dividends paid and accrued	1 535 395	1 370 657
Stock dividend (note 5)	1 605 186	
Excess of cost of stocks of consolidated subsidiaries over book values thereof at dates of acquisition	<u> </u>	<u>1 786 818</u>
	3 140 581	3 157 475
EARNED SURPLUS -- END OF YEAR (Note 4)	<u>\$16 243 025</u>	<u>\$15 347 963</u>

The accompanying notes are an integral part of this statement () Denotes deduction

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30 1952

NOTE 1 -- Ores metals and metal bearing products Under the base stock method of inventory valuation adopted at November 30 1949 basic quantities of lead and zinc are valued at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St Louis) At November 30 1952 basic quantities were 12 500 tons of each metal compared with 15 000 tons of lead and 10 000 tons of zinc at November 30 1951 this shift in basic quantities has had no material effect on operations for the year The remainder of the inventory of metal content is priced at the lower of average cost or market

Other products have been valued at average and standard costs or lower which approximate replacement market

NOTE 2 - The equity of The Eagle Picher Company in foreign subsidiaries not consolidated has increased \$1 503 873 since dates of acquisition as a result of profits losses, dividend distributions and reorganization of the Canadian companies The increase during the year ended November 30 1952 aggregated \$495 942

NOTE 3 — On July 14 1952 (as of July 1 1952) The Eagle Picher Company acquired substantially all of the outstanding common stock of The Ohio Rubber Company Cost of the latter's stock was approximately \$3 600 000 in excess of book value of its net assets this excess has been allocated to property plant and equipment in the consolidated financial statements which results in stating these assets at values which closely approximate original cost when first used in operations less depreciation to date The statement of consolidated profit and loss includes operations of this subsidiary from July 1 to November 30 1952 for this period the acquired company had net sales of \$12 143 364 and net profit of \$650 654

NOTE 4 — Under the provisions of the loan agreements pertaining to the 3³/₄% notes due September 1 1972 the company is required to prepay on September 1 of each of the years 1953 to 1957 inclusive the amount of \$500 000 and varying amounts thereafter to maturity

The 4¹/₂% mortgage notes maturing September 1 1964 are secured by a mortgage covering property of a subsidiary company

The 3³/₄% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in stock of the company) or applied in the purchase redemption or retirement of the company's capital stock At November 30 1952 the amount not so restricted was \$4 725 044

NOTE 5 — On December 10 1951 a stock dividend was paid by the issuance of 89 177 shares of the company's capital stock and the distribution of \$20 657 in cash in lieu of the issuance of fractional shares totaling 823 shares The charge against earned surplus with respect to the 89 177 shares so issued was \$1 605 186 representing \$18 per share Capital stock was credited at the par value of \$10 per share, or \$891 770, and the balance of \$713 416 was credited to capital surplus

NOTE 6 — A portion of the company's sales for the years ended November 30 1951 and 1952 is subject to renegotiation under the Renegotiation Act of 1951 No provision has been made for possible refunds since it appears that renegotiation will have no material effect on the financial statements as of November 30 1952

PEAT MARWICK MITCHELL & CO

Accountants and Auditors

CINCINNATI 2 OHIO

THE DIRECTORS

THE EAGLE PICHER COMPANY

Cincinnati Ohio

We have examined the consolidated balance sheet of The Eagle-Picher Company and its domestic subsidiaries as of November 30 1952 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle Picher Company and its domestic subsidiaries at November 30 1952 and the results of their operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT MARWICK MITCHELL & Co

Cincinnati Ohio

February 5 1953

COMPARATIVE HIGHLIGHTS

FOR THE YEARS ENDED NOVEMBER 30

		1952	1951	1950
SALES EARNINGS TAXES DIVIDENDS	Net Sales	\$81 893 067	\$82 086 318	\$69 123 903
	Net Profit before Income Taxes	4 323 643	9 503 807	6 399 296
	Federal and State Inc Taxes	288 000	5 800 000	3 470 000
	Net Profit for Year	4 035 643	3 703 807	2 929 296
	Net Profit per Share*	4 08	3 74	2 96
	Dividends per Share	1 50	1 50†	1 50
FROM THE YEAR END BALANCE SHEET	Current Assets	\$32 730 475	\$24 328 172	\$21 634 705
	Current Liabilities	7 553 500	5 702 417	6 148 485
	Working Capital	25 176 975	18 625 755	15 486 220
	Fixed Assets Net	16 493 018	11 102 406	11 325 613
	Other Tangible Assets	3 741 155	4 863 046	5 719 549
	Long Term Debt	13 573 000	7 500 000	7 531 015
	Net Worth	28 898 443	26 398 195	24 441 894‡
OTHER SALIENT FACTS	Ratio of Current Assets to Current Liabilities	4 33	4 26	3 52
	Net Worth per Share*	\$ 29 21	\$ 26 68	\$ 24 71
	Dividends Paid and Accrued	\$1 535 395	\$1 370 657	\$1 339 917
	Earnings Retained in Business	\$2 500 248	\$2 333 150	\$1 589 379

Based on 989 177 shares presently outstanding
†After deduction of \$1 409 833 of intangible assets
‡Plus 10% in stock

PLANTS

CINCINNATI OHIO
CLARK NEVADA
COMMERCE OKLA
CONNEAUTVILLE PA
DALLAS TEXAS
DOVER NEW JERSEY

EAST CHICAGO INDIANA
GALENA ILLINOIS
GALENA KANSAS
HENRYETTA OKLA
HILLSBORO ILLINOIS

JOPLIN MISSOURI
LONG BEACH CALIF
NEWARK NEW JERSEY
TUCSON ARIZONA
WABASH INDIANA
WILLOUGHBY OHIO

PRINCIPAL PRODUCTS

METALS

SLAB ZINC

CADMIUM
GERMANIUM

GALLIUM

PIGMENTS AND OXIDES

LEAD FREE ZINC OXIDES
LEADED ZINC OXIDES
WHITE LEAD CARBONATE
SUPER SUBLIMED WHITE LEAD
SUBLIMED BLUE LEAD

BASIC SILICATE WHITE LEAD
LEAD SILICATE (MONO)
ALSIOX
RED LEAD

ORANGE MINERAL
LITHARGE
SUBLIMED LITHARGE
LITHOPONE
GERMANIUM DIOXIDE

RUBBER PRODUCTS

MOLDED GOODS
SYNTHETIC RUBBER PRODUCTS
ELECTRICAL LAMINATES
(PHENOLIC AND RUBBER)

EXTRUDED GOODS
SILICONE RUBBER PRODUCTS

BONDED GOODS
FLEXIBLE VINYL MOLDING
DECORATIVE LAMINATES
(PLASTIC AND RUBBER)

INSULATIONS

MINERAL WOOL INSULATIONS—
GRANULATED LOOSE BATTS

CEMENTS
BLOCKS

BLANKETS
FELTS

OTHER PRODUCTS

ALUMINUM STORM WINDOWS
AND SCREENS

ALUMINUM STORM AND
SCREEN DOORS

CELATOM
INDUSTRIAL FLOOR DRY

EAGLE



PICHER

THE EAGLE-PICHER COMPANY
CINCINNATI, OHIO